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FISCAL IMPACT STATEMENT

LS 6056

BILL NUMBER: SB 56

NOTE PREPARED: Mar 8, 2006

BILL AMENDED: Jan 26, 2006

SUBJECT: Pension Relief Fund Distributions.

FIRST AUTHOR: Sen. Harrison

FIRST SPONSOR: Rep. Buell

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill changes the expiration date for the additional distributions from the Pension Relief Fund that ensure that at least 50% of the pension liability of each unit of local government is paid from the Pension Relief Fund from January 1, 2008, to January 1, 2009. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2006.

Explanation of State Expenditures: (Revised) Under current law, the present value of the shortfall of relief due to the exhaustion of the Pension Relief Fund is \$177.3 M, and this shortfall will begin in 2013. The one-year extension of the sunset date for this provision will result in an additional distribution from the Pension Relief Fund of approximately \$4.7 M during 2008. The present value of this additional PRF distribution as of January 1, 2006, at 7% is about \$3.97 M.

Background on the Pension Relief Fund: The Pension Relief Fund was created in 1977 to help cities and towns meet their police and fire pension obligations. Cities and towns are paying current benefits for police officers and firefighters in the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund (collectively, the Old Funds) while simultaneously funding benefits in advance for the 1977 Police Officers' and Firefighters' Pension and Disability Fund (the 1977 Fund). The major sources of revenue for the Pension Relief Fund include a dedicated portion of cigarette and liquor taxes that totals between \$30 M and \$40 M each year, lottery revenues of \$10 M each year, and annual investment income of \$15 M to \$20 M at an assumed interest rate of 6% per year.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 Fund.

Local Agencies Affected: Units with members in the Old Funds and the 1977 Fund.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, the Old Funds, and the 1977 Fund, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.